TAYLOR — MONEY SHOULD BE THE SERVANT OF THE PEOPLE

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MONEY

SHOULD BE

THE SERVANT OF THE PEOPLE NOT THEIR MASTER.

A LETTER

TO

WILLIAM LEATHAM, ESQ.

BANKER, WAKEFIELD.

BY JAMES TAYLOR,

OF BAKEWELL.

"That your Petitioners have reason to apprehend that measures are in contemplation, with reference to cash payments by the Bank of England, which, in the opinion of your petitioners, will, as they humbly submit to your lordships, tend to a forced, precipitate, and highly injurious contraction of the circulating medium of the country.

"That the consequences of such contraction will, as your petitioners humbly conceive, be to add to the burthen of the public debt; greatly to increase the pressure of the taxes; to lower the value of all landed and commercial property; seriously to affect both public and private credit; to embarrass and reduce all the operations of agriculture, manufactures, and commerce, and to throw out of employment a great proportion of the industrious and labouring classes of the community."—*The* [PROPHETIC] *Petition of the* MERCHANTS, BANKERS, *and* TRADERS, *of London, to the House of Lords, May* 21*st*, 1819.

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A LETTER.

Bakewell, March 14th, 1842.

Dear Sir,—I have been much gratified to find, on perusal of the pamphlets which you have kindly sent me, that your view of the evils which beset our credit circulation, is very similar to that which I have also entertained for several years past. In addition to the *natural* difficulties to which our credit circulation is exposed, and which are so forcibly portrayed in your writings, there are some *artificial* dangers which are not generally noticed. Mr. Alexander Baring, (now Lord Ashburton,) in his evidence before the Committee on Coin, which sat at the Board of Trade in 1828, alluding to the difficulties which the Bank of England encountered in 1825, from the want of an adequate supply of the precious metals, said, "The wants of the bank, when they occur, interest speculators and jobbers of every description, and, independently of operations to derive a profit from the price of gold, there will be persons interested in thwarting the bank, and preventing its supply. A large capitalist might do this with effect—a

combination of three or four might do it almost with certainty." I am aware that when the late Mr. Rothschild was questioned upon this point four years afterwards by the Bank Charter Committee, he wished the committee to believe the thing impossible to be done: but a chain of circumstances may be adduced, commencing with the early part of 1824, and ending with the panic of 1825, evincing a strong probability, not merely that such a speculation was possible, but that it was *then* made effective.

Again, in the natural course of commerce, there can be no doubt that the *balance* of *trade* between Britain and the rest of the world must be in favour of this country. "You import £1000 worth of iron from Sweden," said Mr. Rothschild to the Bank Charter Committee; "when it is manufactured it is worth £10,000, and it is then sent to all the world. You get cotton from America: the cotton costs there 3*d.* or 6*d.* per pound, but when it is manufactured, that pound of cotton is worth four times as much. In the regular course of things, the exchange with every country must be in favour of England." And, he added, "If we had not sometimes importations of corn, and sometimes foreign loans, he knew not how the people on the Continent could live." However true Mr. Rothschild's illustration may be, *in the regular*

course of things, your pamphlets show that this *just* and *natural effect* of British skill and industry, may, *for a time*, be fearfully disturbed by defective harvests; and though the specie may ultimately find its way back to this country, as it is now doing, yet in the mean time the working population may be starved, and their employers ruined.

Another way in which the natural course of commerce may be deranged, and to which I am desirous of drawing attention, is the manner in which our money may be *borrowed* from us by *foreign* states, and, *under the existing law*, USED to our national injury. To illustrate my meaning: suppose a foreign state in good credit, Russia for instance, wants to borrow £10,000,000 to clothe and equip her army, and to store her military chest. England is the market for negotiating the loan, and all the energies of some of the principal loan contractors are applied, for the time, to make money *easy* and *cheap* with us. Through the medium of these contractors, Russia obtains her loan upon favourable terms. It may be that a large portion of the loan is for the purchase of British commodities, and not more than two or three millions required in specie; but, instead of taking the commodities from us in the first instance, it is obviously her policy to draw from the Bank of England in the

first place, whatever gold she may want. The Bank, finding two or three millions of gold withdrawn from her coffers takes the alarm; and the usual discounting of bills of exchange is obstructed. The more needy of the manufacturers, who are oftentimes the most enterprizing, are compelled to make forced sales of their commodities. Prices are reduced. The richer manufacturers and their workmen are obliged to submit to a reduced market price; and Russia may then purchase or contract for all her supplies upon terms far more beneficial to herself, even if she paid a premium of five per cent. for the gold, than if she had bought her stores in the first instance. Suppose, on the other hand, that the Bank of England, in order to prevent this *unnatural* export of gold, offers a premium in addition to the *Mint* value for it, the direct consequence is, that the gold which the laws of commerce compel her to buy *as an article of* MERCHANDIZE *at* £4 *or* 4 *guineas per ounce*, the *present* law of England compels her to part with, as *an article of* MONEY, *at* £3. 17. $10\frac{1}{2}$. *per ounce;* and, possibly, THE SAME PARTIES, through some secret link, may sell to the bank *one day* that gold which they take from her on the *next*. In the evidence taken before the Bank Charter Committee in 1832, it appears, that during the pressure on the bank in 1825,

Mr. Rothschild received from that establishment about £100,000 in *addition* to the *Mint* value, for the gold which he then supplied to her. A recent number of the "Circular to Bankers" states that the same gentleman's family are now deriving an enormous profit from the monopoly of the Quicksilver Mines in Spain—that the effect has been to withhold many millions of silver from being supplied by the mines of South America to the commercial world; and that thus all merchants, bankers, &c., engaged in large credit transactions, the success of which depends upon the regular supply of the precious metals, are liable to have their best calculations falsified, by the secret machinery which a few individuals may set in motion.

Our dealings with America, during the last eight years, afford another proof of the possibility of the *basis* of our currency being drawn from us, to our extreme injury, by a nation, from which, in the *natural* course of trade, there ought to have been an uniform flow in the contrary direction. In fact, the whole history of the monetary affairs of the world, so far as I am acquainted with it, constitutes one continuous illustration of the justness of the following remark, made by a writer more than two centuries ago, and which I have often had occasion to borrow: "Unless those advantages, which

one country may make upon another in the mystery of exchanges, be thoroughly discovered and prevented by such as sit at the helm of the state, it may fare with us, notwithstanding all our commerce, as with some bodies after much food, that, instead of growing full and fat, we may pine away and fall into irrecoverable consumption." The extensive use of credit money which now prevails, adds greatly to the force of the above remarks, when applied to our own day. It is notorious, that, with us, *every bale of goods* may constitute the *real* basis of a bill of exchange. There is indeed no article of commerce which may not be thus represented by the *pounds*, *shillings*, and *pence*, expressed in such an instrument of exchange; and thus, our credit or bill currency may be co-extensive with the gross nominal value of all the commodities which are daily passing from hand to hand. In your tables and pamphlets you have forcibly drawn attention to the startling disproportion that exists between these liabilities, and the *legal* means there are of liquidating them. Unless we can bring ourselves to believe the absurd proposition that "*a part may be equal to the whole*," it seems impossible that our credit currency, representing (as it does) every other kind of property as well as the precious metals, should at all times, and under all circumstances of peace, war, famine,

or artful speculation, be absolutely redeemable in pieces of gold of a specific weight and fineness.

I was no sooner acquainted with the provisions of the law of 1819, than I became convinced that a fearful shock awaited us, whenever the *market price* of gold should be *enhanced* above the *mint* price; and, persuaded that *private speculation*, as well as many natural causes, might operate *so* to enhance the *mercantile* value of gold, I submitted a paper on the subject to a public meeting which was held here for the purpose in March 1823. To the argument in that paper I obtained the assent of all the gentlemen who attended the meeting. I was further confirmed in my apprehensions when I *afterwards* found that my fears were very much in unison with those which the Court of Bank Directors had stated to His Majesty's ministers in 1819, whilst "Peel's Bill" was pending. The experienced men who *then* managed the bank forewarned the government that the proposed system of cash payments would, if passed into a law, probably "*compromise the universal interests of the empire in all the relations of agriculture, manufactures, commerce, and revenue,*" a prediction which is every day becoming more perfectly and more fearfully fulfilled.

There are few things with which men in a state of civilized society are more familiar than "money;" yet few things, the real nature of which has been less understood by them. Accustomed to the use of it from their childhood, almost every one assumes that he has a thorough knowledge of its nature and properties; and yet, when even learned and scientific men have attempted to define accurately what they mean by "money,"—what constitutes its exchangeable value,—what rules govern and regulate its circulation,—they have been far more puzzled to do it than to describe the essential properties and working rules of the most intricate piece of machinery ever invented. One class of political economists thinks that the precious metals have the character of *money essentially* in themselves. Another class regards them as *commodities* which derive their *monetary* character wholly from *the authority of the state*, or some conventional agreement among men;—whilst the great majority of the people, however well they may avail themselves of the power of money to command the necessaries of life, and to enrich themselves, are, in reality, as little acquainted with its *essential* character, as they are with the natural principles which govern the circulation in their own veins. Sir Robert Peel appears to belong to the *first* denomination of persons: his father was

probably one of the *second*, which may account for the very opposite opinions they entertained of the effect to result from the Bill of 1819. The present Sir Robert Peel anticipated national prosperity from that measure—his father *foretold* national ruin: bitter experience has shown the father to be the wiser statesman of the two; and now, when the troubles are come upon us, which the *late* Sir Robert Peel and the Bank Directors of 1819 predicted as the probable consequence of "Peel's Bill;" our manufactures, commerce, and revenue compromised; our agricultural interests placed in great jeopardy; we are required to believe, not that *bad legislation*, but that *the excessive skill and industry of the people* have produced the mischief: and we are told by the *present* Sir Robert Peel, on behalf of the Tories, and by Lord Melbourne on behalf of the Whigs, that legislation can do little or nothing towards our relief. If it had been alleged that the distress of the people was the consequence of *idleness* and *improvidence*, Sir Robert might justly have said that legislation could not cure it; but when he accuses our manufacturing population of extravagant industry, and when he well knows that our Savings' Banks show the English to be *habitually* a provident people; then, to tell them in their long-protracted distress, that legislation cannot

effectually relieve them, is surely as monstrous as it would have been for the Egyptian monarch, after depriving the industrious Israelites of "straw for their bricks," and requiring an equal "tale" at their hands, to have told those industrious and afflicted people, that their distress was beyond the reach of *legislative remedy*. As I believe all Scripture to be given for our instruction, so I take it to be one of the *first duties* of every government, to secure for the people "*straw* for their bricks"—the *means* of fulfilling their tasks—or in other words, a *circulating medium* adequate in amount to the payment of their labour, and to the free exchange of all the products of labour and of art throughout the nation, on such terms, and at such rates, as shall be fully equal to the *money charges* which the *taxes* of the state or the *customs* of the nation impose upon the people; and that, as all *additional* wealth in the nation must be produced by the skill and labour of the working part of the community, it is *especially the duty of the executive* to see that this *portion of the people* should never be forced into idleness for want of a *regular* and *sufficient medium*, by which their labour, or the produce of their labour, may be exchanged or accumulated. The *next* great duty of the state in regard to its money, is to devise means whereby the circulating medium *at home* may be

equitably and freely converted into the money or circulating medium of any *foreign* nation. But this *foreign* object, though an important feature in a perfect money system, is of secondary importance to the *home* circulation.

However much the customs of the world may have used the precious metals for money, it is essential to the happiness of the people in every nation, that the rulers of nations should take especial care that the precious metals be made subservient to the *comfortable employment of the people*, and *not* that the people's *comfort* should be made *subservient to* or *dependent upon* a supply of the precious metals: for otherwise, as we have seen, a *foreign state*, or a *combination* of *three or four capitalists*, who can *for a short time* withhold the *regular supply* of the precious metals from an otherwise opulent nation, may control the money value of the people's labour, and throw all the important interests of that nation into the greatest confusion and distress.

That the internal monetary transactions of a great nation may be carried on for many years, almost without the use of the precious metals, is evident from the experience of this country within the last 45 years. Necessity, the prolific parent of almost every useful invention, did, during the late war, force us upon a system, endowed in an extraordinary degree with the

attributes needful for the *home* circulation; a system so adequate to our domestic wants, as to enable Britain to surmount difficulties greater, I believe, than had ever before been surmounted by any nation. Under this system, the Bank of England note became the *practical* representative of the pound *sterling*, and of the pound *in account* throughout this kingdom, and, I might add, in many other parts of the world also. The bank itself was the *wholesale* dealer in this medium of exchange; and country bankers, in a smaller way, supplied the local wants of their immediate neighbourhoods. This system, which the necessity of the times, and the conveniency of the people, brought into active operation in almost every town throughout the kingdom, furnished the means whereby labour was freely purchased. Labour employed, increased the productiveness of the *soil* in agricultural districts, and the *productions* of the people in manufacturing districts: rents were increased, not *by forcing* the people to buy *homegrown* corn, but by the *increased means* which the people had of paying for and consuming that which was grown by their own neighbours; and the re-expenditure of those increased rents, with the expenditure of all other accumulations of capital, was visible in new and improved houses, new public roads, canals, bridges, docks, drainages, enclosures,

and an almost infinite variety of profitable public works, which, whilst they ennobled and beautified the country, provided new and beneficial employment for those whose former occupations might perchance have been superseded by machinery. It could scarcely be expected that a system pregnant with such important and beneficial effects would be entirely free from imperfection. The good faith which generally distinguished those whose credit supplied the medium through which much of this good was produced and diffused, was occasionally tarnished by the unworthiness of some parties, and by the indiscretion of others; but these imperfections were every day working their own cure far better than any direct interference of the legislature could do it; and whatever the people can do for themselves, is almost sure to be done better than by any legislative enactment. Admirably as this system had supplied all our pecuniary wants *at home*, enabling us throughout the war to do either *with* or *without* the precious metals; it became necessary, on the return of peace, to reconsider the act of 1797, under which our *home* currency had been fostered, and as you, Sir, are well aware, to adopt such a system of cash payments, as, in the event of any future war, should preserve us from a repetition of the catastrophe of 1797, and provide means for our

home money being at all times equitably convertible into the money of any *foreign* country.

I cannot entertain a doubt that these important objects would have been satisfactorily attained, had our rulers duly profited by the counsels of the Bank Directors in 1819. The plan they suggested would, with very little modification, not only have accomplished these objects for ourselves, but would, I believe, have averted many of those calamities which have since befallen the commercial and banking interests of many other countries also. Unfortunately Lords Liverpool and Grenville, and other noblemen, who, as ministers of the crown, had gladly availed themselves of the services of the bank directors during the war, thought they could do without that assistance in 1819, and thus the counsel of those directors was not only disregarded, but—if we may believe the reports of the day—was rejected very uncourteously. Those noblemen, as well as Messrs. Huskisson, Canning, Peel, and many other influential persons, became converts to the *new* and *fashionable* opinion, that the amount of the *credit circulation* of Great Britain should no longer be regulated according to her *internal* taxes, rents, and other credit engagements, but by the state of the *foreign* exchanges; or in other words, by that estimate of the value of the precious metals,

which was to be found in the *average rate* at which gold and silver could buy the *cheap labour* of the *poorer* nations of the world. A doctrine in reality not more reasonable than that a full-grown athletic man, such as *John Bull* was *once* represented to be, should be required to have his circulation regulated, *not* by the natural wants of his own system, but by the *average* wants of all the *needy* bodies around him ; and that they should be allowed, like so many *leeches*, to *borrow* his life's blood from him, until they could pull down his strength, and raise their own to an *equality*, leaving poor John to bear *all* the costly honours of his own cumbrous body, with only *half* his proper circulation.

I fully admit that between one independent nation and another, the precious metals, in an *uncoined* state, must have their exchangeable value solely determined by weight and purity, upon the same system of barter as that upon which all other foreign transactions are generally conducted : but hence it follows, that whatever nation, after well supplying the wants of her own people, has the most SURPLUS *produce*, or *manufactured commodities* to part with, such nation can *afford* to give the *most goods* in exchange for *gold* and *silver abroad*, and must consequently, *in the natural course of things*, command the largest quantity of those metals. If the rulers

of such a nation understand the *mystery* of money, I have not a doubt that they may determine the *mode* and the *terms* by which this *superfluity* of the precious metals shall be parted with to other and more needy nations, agreeably to the opinions implied in the evidence of the late Mr. Rothschild as quoted in the second page of this letter. These remarks apply to the principle which governs the exchange of the precious metals *between different nations.*

In the *home* dealings of any given country, gold and silver are governed by another principle. The authority of the state, in this case, determines the relative value which specific pieces of those metals in coin shall possess in the *legal* discharge of all taxes, debts, and credit engagements within the realm; but the experience of every nation shows, that, as the *legal* or *coined* value of the precious metals is *enhanced,* so the *mercantile price* of them in the same country has always had a tendency to advance also; and just at those times when the country could least bear it, then the *mercantile* value has generally been found to exceed the *coined* value, however much the latter may have been previously enhanced. Hence, a *needy* state has never derived *permanent* relief, by diminishing the specific weight, or deteriorating the quality of its coined money.

The issuing however of a *paper* or *credit currency*, under certain limits, has a very different effect. Judiciously used by the government of an industrious nation in good credit, it may be made the means of *controlling* the *mercantile* value of the precious metals, and thereby of *sustaining* the *intrinsic character* of the *coin* both in weight and purity. As an illustration, take a supposed case from our own country. Her government is entitled by the consent of parliament to receive from the people taxes and revenue, amounting, say, to £40,000,000 annually. She does not receive this money to *hoard* and *accumulate*, but to *pay back* to the people for *dividends*, *stores*, *services*, *&c. &c.* Let then the government ordain that this £40,000,000 of taxes shall be paid, in whole or in part, as may be most convenient to the people, after the following manner: either in *gold*, after the rate of £4 per ounce; in *silver*, after the rate of 5s. per ounce; or in *exchequer notes*, each £5 note being deemed the equivalent for $1\frac{1}{4}$ oz. gold, or 20 oz. of silver. This being then the *legal relative value* of gold and silver to such exchequer notes, there can be little doubt that, whilst the amount of them was kept within the average demand required for our current taxes, those notes, in all *domestic* transactions would be quite as valuable, though stamped

and signed on *paper only*, as if they were stamped pieces of gold weighing $1\frac{1}{4}$ oz. each; and *more valuable* in one sense than our present gold coinage, which, it now appears, may be robbed of its intrinsic value to the extent of 15 or 20 per cent, without the public knowing how to detect the fraud.

This explanation may serve to *illustrate* the opinion I entertain of the *nature* and *value* of *credit* or *paper* money; but as one mode of *practically* applying these opinions to the general use of this country, I beg to refer you to the accompanying petition which, in 1830, I placed in the hands of *Mr.* now *Lord* Denman, and Sir James Graham, for presentation. I saw these gentlemen upon the subject, a few days before the Duke of Wellington made those *celebrated remarks* in the House of Lords, which, acting upon the *growing distress* of the people, threw the whole nation into its *Reform* fever. There seemed then so little chance of obtaining any attention in Parliament to the dry subject of the currency, that the petition was not presented, but I printed and circulated it amongst my friends in the enclosed form; and it was republished in some of the newspapers of the day. I purpose also sending you two or three pamphlets, reiterating, with different arguments, the same sentiments which were *first* addressed to the Bakewell meeting in March 1823.

In the year 1829 I was discussing this subject in London in the presence of a Prussian gentleman, who remarked that he thought the views I entertained on currency were not very dissimilar to those which were acted upon in his own country; and, the next day, he sent me a note, of which the following is a copy.

"It quite escaped my recollection when we conversed on the subject of Prussian currency, that I could give you some information that probably might interest you.

"The Prussian government issues its gold coin called Friedrich d'or, at five dollars, and compels the people to pay their duties as follows—

"One *third* in the above coin at the price at which it is issued.

"One *third* in 'treasure notes,' which circulate like Bank of England notes—and

"The *remainder* in silver.

"If a person cannot pay the amount required in gold, he is charged the agio, or the market price in addition, so that if the Friedrich d'or is worth five dollars and a half in the market, he must pay the half dollar in addition." It will be seen by this sketch of the monetary system of Prussia, that provision is made for the *possibility* of her "treasure notes" being *at a discount* in the market. By providing a *remedy* for such

a contingency, I believe it will be found, that so far from these "treasure notes" being at a discount, they generally bear a *premium* throughout Germany, as being so much more convenient and safe for transfer than gold and silver. Perceiving that this plan must obtain for Prussia that security for her *credit circulation*, which, through the agency of the Bank of England, I was seeking for *ours*, I named the subject to the Duke of Wellington, in a letter which about that time I had His Grace's permission to address to him. I also spoke of it to an influential London merchant, with whom I had corresponded upon the currency question; but, at that time, though England had suffered much, it appeared we had not suffered enough to humble our pride. The latter gentleman thought it an absurd thing to suppose that England *could possibly* derive any useful lesson upon money and currency from Prussia, which he then regarded as an insignificant State. In the few years which have since elapsed, the rapid progress which Prussia has made in the scale of nations, furnishes a remarkable instance of the benefit to be derived through a monarch, who, having learnt wisdom in the school of adversity, knew how to make money the *servant* of his people, and *not their master*. The com-

mercial code of Prussia, without her judicious monetary system, would, in my opinion, have done comparatively *nothing* for her.

I regret to see, in your valuable pamphlets, much evidence that the bank directors *of late years* have not manifested that commercial wisdom and practical banking knowledge which distinguished their predecessors in 1819 It would seem, from the evidence of Mr. William Ward before the Bank Charter Committee in 1832, that between the years 1819 and 1827 a great change had taken place in the counsels which governed the bank. Mr. Ward informed the Committee, that in 1819 he was the *youngest*, and the *only* member of the court who had adopted the *then new* opinion, that the amount of the credit circulation of Great Britain ought *not* to be regulated by the *internal* wants of the kingdom, but by the state of the *foreign* exchanges: but in the year 1827, the members of the court had become so changed, that it appears he had now the gratification of finding a *majority* favorable to his views. Contemporaneously with this change in the directors, the resolution appears to have been formed, that *the bank should always retain in her coffers specie equal to one third of her liabilities:* a resolution which experience has *since* convinced them they had not power to execute. It is fair to believe

from the opinions expressed in the memorial of the directors in 1819, that *those* gentlemen would have *foreseen* that the resolution in question *could not be kept* under all circumstances, without ruining first their customers, and afterwards themselves, so long as the credit circulation of the kingdom remained under the government of "Peel's Bill." The same wisdom which dictated the memorial of 1819, would probably, after the panic of 1825, have prompted *them* to say to the ministers of the crown, "We have done all in our power to support your new monetary system. We have brought this great national establishment into such jeopardy by our efforts to support your views, that we are indebted to the help of *one man* for its preservation. When the bank was in its extremities, we were advised by an influential minister of the crown, (Mr. Huskisson,) himself a distinguished supporter, if not the *real author* of 'Peel's Bill,' to close our doors to the public. We are convinced that the minister who could give such advice is totally ignorant of the *nature* and *value* of English *credit;* and, unless you so alter the monetary laws, as that, for the future, we can protect this establishment, without ruining the mercantile and banking interests of the nation, we must resign the trust imposed in us." But instead of addressing such plain truths as

these to the ministers of the crown, the *directors of* 1827, *and their successors*, appear to have combined with those ministers to obtain a selfish monopoly of the whole credit currency of the kingdom; and by their unsuccessful efforts to *bolster up* an impracticable system, reckless of the ruin of the manufacturing and commercial interests of the nation, have brought great and bitter complaints against themselves—involved the credit engagements of the country in repeated difficulties—and, upon one occasion, made the continued existence of their establishment dependant upon the friendly assistance of a foreign bank. How would Napoleon have exulted, even in his exile, could he have beheld the Bank of England—lately the Bank of the World—reduced to the mortifying necessity of depending for her existence upon the Bank of France! How would Mr. Pitt have mourned, could he have thought it possible, that statesmen professing themselves his disciples, should ever allow the National Bank and national credit of England to be thus humbled! It is more than probable that such repeated exposures of our monetary weakness under the baneful influence of "Peel's Bill," may have encouraged in the more restless part of our French neighbours the wish they have lately so often manifested, to involve us in another Continental war.

The folly by which the credit system of England has been governed since 1819, great as it is, is not without its parallel even in later times. America has shown us that the gratuitous evils we have inflicted upon ourselves in *addition* to our national debt, she could inflict upon her people, AFTER *they had cleared off the national debt.* General Jackson seems to have had no more affection for the Bank of the United States in 1834, than some of our statesmen manifested for the Bank of England in 1819. Regardless of the valuable services which the United States Bank had rendered to America in *equalizing* and *facilitating* the exchange of money throughout all her States—in raising the intrinsic character of her money from the impoverished condition it was in when that bank was established,—and finally in enabling the government honorably to discharge the national debt; President Jackson appears to have formed the resolution to annihilate that establishment, notwithstanding the deserved esteem in which it had been long held throughout the world. Under the same popular plea which *gilded* the poisonous pill for us in 1819, of giving the people a *golden* currency, the President was enabled to carry his object by the popular voice in opposition to the wise counsels of more experienced men. To fulfil his promise of getting gold for

the people, he appeared to lose sight of the old caution, "not to buy it too dear," for he enhanced its value about 6 per cent in relation to silver, and consequently to all the *internal credit* engagements of America. This advance in the *legal* value of gold *in America*, added to the high rate of interest offered to all who could borrow money in England—just at the time when, to assist our government and Mr. Rothschild in negotiating the West Indian loan, our bank directors were making money *cheap here*—effectually *drained* the gold from our circulation to *fill* that of America. A temporary success thus attended his measures, which carried him over his first difficulties, and produced a gleam of delusive prosperity; but experience soon convinced the Americans that instead of "growing full and fat" upon their *golden* dreams, those bright visions were but the prelude to an almost universal bankruptcy. Mr. Biddle and others, creditably to their patriotism, but unfortunately for their pecuniary reputation, endeavoured to uphold the United States Bank, and the national credit, until the error of General Jackson's policy should be discovered, and the mischief repaired. Herein, like the *modern* directors of the Bank of England, the managers of the American Bank miscalculated their power, and, whilst they have thus made themselves the "scape-goat" for

General Jackson's folly, America, notwithstanding her wonderful natural resources, affords an unhappy illustration of the mischief which may be inflicted upon an industrious people by the injudicious monetary measures of their rulers; exhibiting, in her present condition, a striking contrast to the increased *domestic* comfort, and *foreign* influence, which wiser counsels have, in the same time, conferred upon the people of Prussia.

Whatever proportion the *relative* QUANTITIES of gold and silver in the world may bear to the *relative* VALUES attached to them by the monetary laws of this or any other nation, there can be no *natural affinity* discovered between *those metals* and *paper money*. Some reason may doubtless be given why an ounce of gold should be thought of equal value with fifteen or sixteen ounces of silver, but to declare that £3.17s. 10½d. in an English bill of Exchange, or in Bank of England notes, shall at all times, and under all circumstances, be exactly equal to an ounce of gold, must be purely *conventional* and *artificial*. Your Tables show that on an average full *fifteen parts* out of *seventeen* of our paper money are not at all *based* upon the precious metals; and therefore, as before observed, unless we can believe that the remaining *two* parts may be equal to the whole *seventeen*, it is totally impossible that

our present *absolute* and *arbitrary* arrangement can stand the test of a trial when *really* put to it. Mr. Baring, in the evidence of 1828, to which I have before referred, says, "Our pedantic attachment to the supposed perfection of the standard of a single metal, and the difficulties we make about the possible variations between gold and silver of an almost imperceptible fraction, lead us to overlook the *really important variations* which occur *in the value of money*, as composed of its two elements *paper* and *metal*." Although a *seeming* uniformity was preserved between *bank-notes* and *sovereigns* in 1825, yet the premium of £100,000 at that time paid to Mr. Rothschild by the bank directors, shows there was *really* a very great difference in their value, and Mr. Baring, referring to the same period, says there was an actual fluctuation "of 15 or 20 per cent in the value of the pound sterling, and in many cases much more."

The expedient suggested by some writers for avoiding a repetition of these fluctuations in the value of the pound sterling, by throwing the whole credit circulation of the kingdom into the hands of the Bank of England, and doing away altogether with the promissory notes of country bankers, could have no other effect than to *glut* the *heart* of our political body, and to *starve* the *extremities*. Besides, for such a system to be

effective, drafts and bills of exchange must also be annihilated; for it would be preposterous to *allow* any small manufacturer or shopkeeper to circulate a draft for £20 or £30, promising to pay at *three months after date*, and to *deny* to some of the richest men in the kingdom the right to pay away, and to the people the right at their own risk to retain in circulation, a £5 promissory note, payable *on demand;* and if the right to issue a draft or promissory note at three months after date be denied to the manufacturer or shopkeeper, I know not upon what principle it can be conceded to any body else. Ten or twelve years ago it was the boast of Manchester merchants and manufacturers that they managed their monetary transactions without the aid of *local* credit money, and Mr. S. J. Lloyd seems to have fallen under the same delusion; but it will be found on further inquiry, that the district of Manchester was really very *largely* supplied with such *local* issues, the only difference being that the bankers of that town supplied their customers with drafts, drawn upon themselves or their agents in London, payable *two or three months after date*, whilst bankers in other parts of the country supplied their customers with promissory notes payable *on demand*. Such expedients as the foregoing, if acted upon, must *aggravate* our difficulties, instead of relieving or curing them.

To avoid, for the time to come, a repetition of such *real* fluctuations in the value of the pound sterling as now occur whenever the bank is called upon for two or three millions of specie —to counteract the artful machinations of selfish speculators - to avert the evils which may arise from the mischievous policy of foreign potentates—and, also, to provide for those occasions when it may be needful or profitable to suffer the precious metals to go from us for a season, in extra quantities, to return with advantage afterwards—the *mode* of determining the relative value of our *paper* money to the *precious metals* must be rendered more *uniformly* practical than it is at present. Means of some kind must be devised by which we may avoid *any obstruction* in our *domestic* circulation from the *possible contingency* of the *mercantile* value of gold being *enhanced* above our *legal* value for it. The Bank Restriction Act accomplished this object; but being unaccompanied with *any* obligation to pay in specie, it was therefore defective. The plan proposed in the enclosed petition supplies that defect, and yet provides a remedy for a *possible* fluctuation in the mercantile value of gold. The Prussian system attains the same object by other means; but as the power to increase the "treasure notes" is with the government, and the obligation to provide the

specie for them with the people, the system is too limited, and, in the hands of an *unscrupulous* ministry, too liable to be abused, to suit the cautious policy of this nation. The object is also to be attained by another plan. Let parliament sanction the issue of Exchequer notes to a given amount, say half the amount of the annual revenue, but twenty or even fifteen millions would probably be sufficient. Let these Exchequer notes be made a *legal* tender. Instead of the government paying interest, let the bank be charged a small rate of interest for the use of them. This she could well afford to pay, as such Exchequer notes would be more efficient to the bank than a *hoard* of gold, in stopping any *unnatural* demand which might be made upon her. The chief objection to such a plan would be, that for these Exchequer notes there could be no parties under an *obligation* to provide gold in exchange; they would therefore be *less fixed* in their gold value, than bank notes would be under the plan proposed in the enclosed petition. In the latter, the bank being always required to fix a price at which she will *give* or *take* gold, the same *steadiness* of value might be expected to arise from it, as would be conferred upon the Stock Market, if parties sufficiently wealthy and disinterested could be found, to fix every day *one* price at which they

would either *buy* or *sell* 3 per cent. Consols:—whereas under the Exchequer note plan, the public would probably have to pay the dealer in them a trifling profit on the exchange. But whatever plan were adopted, it would be wise for the Bank of England to resume her place as a *wholesale* establishment in the *metropolis*, and to leave the *retail* business in the *country* to those who know the parties of their respective localities much better than directors in London can know them; and the sooner she can fall back upon the prudential maxims which actuated the directors of 1819, the more safe it will be both for herself and the community.

By these Remarks, which, pursuant to your kind invitation, I have offered very freely, you will perceive that I fully agree with you, that the *most* fearful evil with which our currency system has to contend is the enormous *disparity* which exists between our credit *liabilities* and our *legal* means of meeting them;—that bills of exchange ought to be regarded as constituting *by far* the *most important part of* our credit circulation; and that statesmen, political economists, and committees of Parliament, by pretending to institute an enquiry respecting our systems of currency and banking, and at the same time agreeing to *exclude bills of exchange* from the question, confirm the truth of an

observation made in Parliament by Mr. Baring in 1828 (*nine* years after the *miscalled* "settlement" of the currency question), "that there were no great questions on which persons in and out of Parliament were more completely *learning their lessons*, than the question of the circulation and the banking system." But whilst I thus agree with you as to the main characteristic of the *disease* which afflicts Britain, you will perceive from the tenor of this letter, that I entertain an opinion different from your own as to the *remedy*. *You* would guard us against the evil of *a sudden demand* for bullion by the accumulation of a large stock of *dormant* bullion *in the Bank;* I would avoid the same evil by securing a *uniform*, *active*, and *free supply in the market*. In a temporary scarcity of wheat or hay, or any other necessary, the way to prevent the natural distress from being aggravated by *monopoly*, is, if possible, to discover a temporary substitute for the same article. It might be difficult to find an effectual substitute for wheat, hay, and many other things; but for the *precious metals*, our necessities during the late war *did* force us upon the discovery of a substitute *as effectual* as that of *steam* for physical *labour*. The system by which this was done is admitted to have been imperfect, inasmuch as the substitute for

our *home* circulation was devoid of the means of a *legal* convertibility into the currency of other nations, even after the cause of the original scarcity had ceased; and, to follow out the simile, it resembled the steam-engine without its regulator. To secure all the benefits of the new system, and to remedy its defects, should have been the object of the Parliamentary Committee of 1819; but, instead of supplying a *regulator* to the system, agreeably to the wise suggestions of the most experienced credit-engineers—men who by their firmness had preserved the engine when the ministers of the Crown, under the pressure of the late war, would fain have overstrained its proper power—they recommended a law, which, being passed, leaves the Directors of the Bank a discretionary power to do injury, but deprives them of all power to avert it when attempted to be inflicted by others, and has ever since kept our credit machinery vacillating between the opposite extremes of being either perfectly *useless*, or *powerful only for mischief*;—while the authors of this ill-judged law have not failed to charge the mischief either upon the *original* system, or the *excessive industry of the people*, and not, *as they ought to have done*, upon their own obstinate and injudicious interference with that credit system, which, under wiser

management, would have become a permanent benefit to the nation.

An alleged depreciation of bank notes from excessive issues, and the desire to prevent a repetition of the evil, was the popular plea for the passing of Peel's Bill. Many of the Political Economists of that day assumed that the Directors of the Bank had been foolishly anxious to FORCE *their notes into circulation*, and that the high price bullion attained towards the close of the war was to be attributed to their indiscretion; but the ministers of the crown could not be ignorant of the fallacy of the charge—*they must* have known, from their own correspondence with the bank, since published, that the managers of that establishment had been MOST RELUCTANT to part with their notes even to the government; and *facts on record* show that the *high price* of *bullion* towards the close of the war ought to be attributed to the *wants* of our *army abroad*, rather than to any *excess of bank notes at home*. In the year 1813, such was the demand for specie for the army in Spain and Portugal, that our government was compelled to buy it at almost any cost; and at one time gold was estimated, relatively to the pound sterling, at £5. 12s. per ounce. When our troops began to return home, and our own government ceased to be buyers, the price rapidly declined to £4. 5s. per

ounce. No doubt, in the natural course of things, the *mercantile* value of gold would soon have fallen to *our legal* value; for no nation besides Britain had aught to give in exchange for it; but no sooner did Napoleon make his re-appearance in France, than a necessity was again imposed upon our government to become buyers, and the price immediately got up to £5. 6s. per ounce. After Napoleon's defeat at Waterloo, the price declined almost as rapidly, until in the month of May following it stood at £4. per ounce, which, allowing for the worn state of the *old* guineas, was probably as low as the legal value attached to it in our present coinage. No corresponding change in the amount of bank issues can be found to justify this *varying* price of gold; and that those *sudden* variations were totally uninfluenced by the amount of bank issues, is farther evident from the following facts:—Gold is quoted at £5. 10s. per ounce towards the close of 1813; and the amount of bank notes in circulation at the same time was only £23,844,050. At the end of 1814, the government demand for gold having ceased, the price of it had *declined* to £4. 6s. 6d. per ounce, and yet, in the mean time, the amount of bank notes had increased to £28,232,730. Again, in 1817, when the price of gold had declined nearly to par, bank notes had further increased to the

sum of £29,543,780. These facts are so inconsistent with the assumption that the high price of gold was occasioned by an excessive issue of bank notes, or that the price of gold should be taken as an *index* of the *depreciation* of bank notes, that, surely, no impartial person, having access to these facts, can remain under such a delusion.

You, Sir, I have no doubt, will well remember that, during the whole course of that time, when such great fluctuations were continually taking place in the price of gold, our *home monetary* transactions went on *uninterruptedly*—the bank-note was the uniform representative of the pound sterling; and scarcely one person in a thousand, except bullion dealers, knew, or cared to know, how much the market price of gold was constantly varying. This *happy ignorance* is worthy of the special observation of statesmen: and though I hope *similar circumstances* may never again cause the like fluctuations; yet, as you have shown, and this letter is intended to show, that *other circumstances* may produce great and sudden changes in the value of gold, so every statesman would do well to profit by the *expedient* which was at that time forced upon us with such beneficial effects.

I beg then to repeat, that the *main* object I have in view, is to obtain, for our *domestic* use,

a CREDIT *circulating medium,* as free from foreign control as that which existed during the late war, and yet that this medium shall always be *equitably* convertible into specie, and consequently into the currency of any *foreign* country. A British credit currency possessed of these properties, and relieved from those sudden and frequent checks to which it must ever be liable under our present impracticable system, would not only be quite as valuable as gold in our *home* circulation, but would be possessed of an equal value in many cases *abroad.* For instance, where foreign states have dividends to pay for loans contracted in England —where foreigners want to transmit money for purchases made in this country—where Custom House duties have to be paid on foreign merchandize brought into our ports;—in fact, with the *balance* of trade in our favour to the degree which British skill, capital, and industry *ought* to make it, and *would* make it, under a statesman endowed with the genius of commerce like the late Mr. Pitt,—British notes, no matter whether they were called "*Treasury,*" "*Exchequer,*" or "*Bank of England*" notes, would constitute a medium of exchange for almost every part of the commercial world, not less valuable, and *sometimes more so,* than our best gold money. Under this system it would

cease to be in the power of three or four capitalists, for their private gain, to *control* and *derange* the bullion market: that control would then be vested in the whole body of British merchants, as the natural consequence of this nation being able to export a larger portion of valuable commodities than any other country.

But I fear Sir Robert Peel is not the statesman under whose ministry this great good for Britain can ever be accomplished. To effect the desired object, Sir Robert must admit that he did wrong in not following his father's counsels, and those of the Bank directors, in 1819; and therefore his prejudices are against us. His notions, too, of manufactures and commerce must be radically defective, or he never could have attributed the distress of this nation, *in any degree*, to an excess of its manufacturing power. Last year, in his speech on the Sugar Duties, he stated our Exports—

For 1839 to have been £97,000,000 in *official* value, and £52,700,000 in *declared* value.

For 1840 to have been £102,000,000 in *official* value, and £51,000,000 in *declared* value.

Thus showing that in the latter year we had exported about *five* per cent. *more goods* and realized *three* per cent. *less money* for them: and upon the strength of this statement he is repre-

sented as saying, that "he certainly entertained undiminished hopes of the revival of our trade." Neither Sir Robert's father, nor the late Mr. Pitt would have been deluded into such a belief. They would have thought that a nation thus *progressing backwards*, rather resembled those tradesmen whose case appeared in the papers a few weeks ago. The parties had been three or four years in business, selling goods all the time for 20 or 30 per cent. less than they cost, and, as a natural consequence, finished their commercial career by appearing in the Gazette. In parliament the other evening, Sir Robert, in replying to another member, said he had been thirty years a member of that House, but had never before heard that commerce could be carried on without profit to somebody. If he were a tradesman he would find it difficult to discover how either individuals or states can ever derive profit from a *foreign* or a *home trade*, carried on upon such principles as the above.

Sir Robert, in his interviews with commercial men, seems more alive to their *ignorance* of the art of logic and the skilful use of words, than to their *practical knowledge* in matters of business. On the other hand, Mr. Pitt, in similar cases, appears to have been regardless of the imperfections of the parties, intent *only* upon extracting from them whatever information their station

in life might have afforded them, probably not expecting *any man to know every thing*. There is a story told of Mr. Pitt, in his younger days, that an eminent tea dealer, as one of a deputation, having had an interview with him, was asked by a friend, what he thought of their young minister. "Thought of him!" said the old tea dealer; "why, if I could get such a young fellow into my counting-house, I could afford to give him a thousand a year." I question whether Sir Robert Peel's commercial talents would ever have called forth such a remark. His talents, great as they unquestionably are, are quite of a different kind. They evidently belong to the bar, rather than to the Exchange or to the merchant's counting-house. In a difficult law case, Sir Robert's services would be pre-eminently valuable; and, could he have another Pitt at all times for his guide and counsellor, on *manufacturing*, *commercial*, and *monetary* affairs, his talents would be most valuable in the government of a nation; but without a *thorough revolution* in his opinions upon those branches of the public service, and especially the last, I fear, nay, I am fully satisfied, it will never be in *his* power to extricate this nation from her present difficulties.

It is evident that Sir Robert has not faith to believe that legislation *can* remedy the distress

of the people; and therefore no great good can be expected from his prescriptions, although he has been "feeling the nation's pulse" for several months, and no doubt deeply investigating his patient's condition. Were his remedies deserving his confidence, he would doubtless have more faith in their virtue than he manifests. The "Great Western" would never have crossed the Atlantic, if the projector of that magnificent steamer, and the captain who commanded her, had not felt perfect confidence in their power to execute their respective tasks. Neither can our *vessel of state* ever be carried safely through the *rocks* and *breakers* with which she is at present beset, unless a pilot can be found, who, having caught the mantle of our immortal Pitt, clearly perceives the course he ought to steer, and has faith to believe he can bring her safely into port; but Sir Robert's hopes appear to extend no further than keeping the vessel afloat by increased taxation, trusting to *time* and *accident* for the *effectual relief* and *final deliverance* of the people from their distress.

Though I believe the counsels of Sir Robert Peel have contributed greatly to bring the nation into its present perils, yet I can assure you, my dear Sir, that there is no one that would rejoice more than myself to behold Mr. Pitt's *mantle* descend upon Sir Robert Peel, and to see him

enjoy the distinguished honour and happiness of extricating the British nation from all those troubles with which she is, and has so long been, *needlessly* surrounded.

I beg to remain, dear Sir,

Your faithful and humble servant,

JAMES TAYLOR.

POSTSCRIPT.

Since writing the above, I have seen Sir Robert Peel's speech on the introduction of a *property* or *income* tax; and it must be confessed, that however *inferior* to the late Mr. Pitt Sir Robert may be in *devising means* for the people wherewith *to fulfil their tasks*, he is quite *equal* to his great predecessor in his ability *to add to their burthens*. The public are justly alive to the unfairness of taxing an *income* of £200 a-year, whether derived from LAND worth *thirty years'* purchase, or from the casual profits of *a trade* not worth *three years'* purchase, or of *a profession* not worth *one year's* purchase, *at the same rate;* but this inequality is a trifling grievance, when compared with the hateful inquisitorial power which must attach to this tax, if enforced upon professions and trades. And for what is all this additional burthen and cruelty to be inflicted upon the people? For what, after twenty-seven years of peace,

are *three* or *four* millions of *additional* taxes required? Why, truly, as a further expedient to bolster up Sir Robert Peel's currency blunder of 1819;— to patch up a system which requires the people to make "*bricks without straw;*"—to give a temporary prop to our *national revenue,* which, as we have seen, Sir Robert was *forewarned* would probably be *ruined by his own injudicious monetary measures.*

The same indiscreet boldness which prompted Sir Robert Peel to legislate upon the Currency Question in 1819, in opposition to the admonitions of his own father — of the counsels of many of the oldest and most wealthy bankers and merchants of London—and of the experienced men who at that time governed the bank— appears to have prompted him, upon the present occasion, to set the opinions of the great body of the English people at defiance. He has scarcely announced this most important tax, before the resolutions founded thereon are to be proposed for adoption. The resolutions being adopted, the people are told their petitions against the tax cannot be received. This mode of stifling the voice of the British people is so utterly at variance with the spirit of the British constitution, that if Sir Robert wished to increase the power of the Chartists, he could scarcely have taken a more effectual way of doing it.

At the end of this pamphlet will be found the late Sir Robert Peel's speech against his son's "Bill" in 1819. The *son* seems fully alive to the weight which ought to attach to his own opinion on matters of finance, in consequence of the eight or ten hours' daily study he has given thereto. By the same rule the counsels of his father, who had spent a long life in the successful prosecution of financial matters, and had been for forty years experienced in parliamentary affairs, were doubtlessly entitled to greater deference than they received from *that* son, who was, comparatively, beginning his parliamentary career. But let Sir Robert *now* realize his father's fond hopes—let him return to the "path of propriety," from which he unhappily deviated in 1819, and he will soon find an abundant revenue without any *additional* taxes. By a judicious currency system, the interest on Exchequer Bills, amounting to about £800,000. annually, might be *immediately* saved to the Government; but this would be a trivial gain compared to that which would soon arise from the increased means the people would enjoy of consuming taxed commodities.

TO THE HONORABLE THE COMMONS OF THE UNITED KINGDOM OF GREAT BRITAIN AND IRELAND:

The Petition of JAMES TAYLOR, *of Bakewell, in the County of Derby;*

HUMBLY SHEWETH,

THAT it was stated in the last Session of Parliament, by the Lord High Chancellor, that Credit Engagements to the amount of Five Hundred Millions of Pounds Sterling had been liquidated in the course of one year by only four London Bankers, and that the further amount of One Thousand Millions of Pounds Sterling had in the same time been liquidated by twenty others of the London Bankers, making a total of nearly double the gross amount of our National Debt; from which statement some idea may be formed of the very great amount of the money transactions of this country.

That these transactions, though by *courtesy* generally liquidated in Bank Notes, or Balances of Credit, are *legally* payable in the Gold Coin of the Realm only.

That the amount of this Gold Coin in active circulation bears so inadequate a proportion to the Credit Engagements which are constantly in course of payment, that a sudden demand in the market for Two or Three Millions, places in jeopardy the credit of many otherwise trustworthy individuals; and experience has repeatedly shewn, that the Abstraction from Circulation

of Six or Eight Millions of this the ONLY LEGAL Money, imposes such a restraint upon the issue of Bank Notes, as to create a general Panic through the country, and a Ruinous Depression in the money-value of every species of property.

That, in addition to the natural causes, such as a Failing Harvest, or Foreign Wars, which occasionally produce large demands for Specie, it is apparent to your Petitioner that the same effect may be produced by a few speculative men of large capital, whose object shall be, in the first place, to withdraw capital from the Funds, and for a time to employ that capital in Bank deposits, or in taking up such other securities as shall give to the holders a legal right to make an Absolute Demand for a specific quantity of Specie at their pleasure—then to apply the power thus obtained in giving a check to Credit; and when, by this course, they have restrained the circulation, and, as a consequence, greatly depressed the value of Government Securities, then to re-invest the capital in them. Supposing an operation of this kind to have preceded the panic of 1825, a reference to the prices of Government Securities at that time will shew, that the Speculators would, in the course of a few months, have added Twenty per Cent. to their Annual Income.

That there are times when it is in the power of a few individuals to monopolize Specie, and to produce the effects here described, is further confirmed by the Evidence of Mr. Baring, before the Committee for Coin at the Board of Trade, 26th of April, 1828, who having stated, that there are persons interested in thwarting the Bank, and preventing its supply of Gold, says:—
"A large Capitalist might do this with effect; a Combi-
"nation of three or four might do it almost with cer-

" tainty; and it should be here stated that the Banks of " France and Amsterdam both make advances at a very " low rate of interest, on the deposit of Gold: I believe, " they advance the value less 10 per Cent. By this " means £100,000 would lock up a Million, and One " Million would lock up Ten." Mr. Baring adds— " It will easily be seen what advantage this circumstance " affords for the Combination I have mentioned."

That, under these circumstances, and with recent facts before them, it is to be expected that Bankers generally, and such Capitalists as are averse to speculation, should feel it needful constantly to keep a large Balance of Credit in the Bank of England; and that the Bank of England, for its security against these demands, should likewise feel it needful to keep constantly in store a large quantity of Specie; and that thus, whilst Dormant Money abounds, the Circulation should languish, and the able-bodied labourer and ingenious artisan be left to pine away for want of employment.

Your Petitioner therefore humbly prays, that your Honourable House would be pleased to take this subject into your serious consideration, with a view to devise some means by which the continuance of Cash Payments may be secured, and yet the nation be relieved from that unfair and unnatural control to which its Credit Engagements are now liable. And as one mode of attaining so desirable an end, Your Petitioner respectfully submits the following Plan to the consideration of Parliament.

THE PLAN.

First, That Bank of England Notes be made a legal tender for all payments of the value of one pound and upwards.

Secondly, That the Bank Directors be required to pay their notes, on demand, in Gold, at the market price. And in order to ascertain and publish the market price—

Thirdly, That the Directors be required to give periodical notice of the price at which they will exchange their Notes for Gold; and whatever price they fix, at the same price they be required to give Gold for their notes, or receive Gold in payment for the various debts owing to them. Such notice to continue in force till the stated period for its renewal.

Fourthly, That the Public be always entitled to take Gold to the Mint, there to be coined for them, agreeably to the present standard, and that a Sovereign of due weight be always deemed a legal tender for an engagement of one pound sterling; so that Foreigners, as well as Englishmen, may at all times calculate upon Gold brought to England being at least adequate to the payment of credit engagements after that rate.

Fifthly, That in order to save a needless waste of the labour of coinage, Bars of Gold, duly assayed and

stamped at the Mint, be allowed to constitute the medium of cash payments for all sums above one, two, or three hundred pounds, as may be agreed upon; and that such Bar Gold be estimated at such a given rate per ounce *less* than coined Gold, as may be equivalent to the cost of coinage. For example, if coined Gold were 3*l.* 17*s.* 10½*d.* per ounce, let Bar Gold be 3*l.* 17*s.* 6*d.* per ounce.

Sixthly, That the same regulation be applied to large payments of Silver, supposing it should, on inquiry, be deemed expedient to adopt the use of Silver as well as of Gold in large payments.

Seventhly, That Country Bankers, &c. be always required to meet their issues and other engagements, either in *coined* Money or Bank of England Notes.

Your Petitioner, conceiving that the foregoing Plan, or such other plan as the wisdom of Parliament may devise, *having for its basis the establishment of an Agio*, for the perpetual adjustment of our Credit Money with Specie, would essentially conduce to the permanent welfare of this country, implores the attention of your Honourable House to the subject: and your Petitioner, as in duty bound, will ever pray, &c.

[This Petition, with the following "OBSERVATIONS" upon it, was published in the *Manchester Courier* of November 27, 1830, and in several other Papers about the same time.]

OBSERVATIONS.

The success of the proposed Plan rests on the assumption, that self-interest is the *primum mobile* of human action. The argument against the *existing* system is, that it offers a temptation to the individual to seek his private profit by measures eminently injurious to the community; whilst the argument in support of the *proposed* plan is, that the individual pursuing his own interests would simultaneously promote and secure the public good.

The chief Objections to be anticipated against the plan are, that it would give to the Bank—

1st. Too great a control over the circulating medium; and

2ndly. A power of depreciating the value of their own Notes.

To the first Objection it may be replied, that the Bank already possesses sufficient power over the circulation to do mischief, if such were the object of the Directors; but not sufficient power to avert it, if attempted to be done by others. The same effect which it has been shewn might be produced upon the money value of Government Securities, &c. by a few speculative capitalists, might *even now* be much more easily produced by the Bank; but the Directors, being responsible to the country for the *fair* exercise of their power, and, moreover, the majority of them being, in their private capacity as citizens, more interested in the general good than in the private profits of the Bank, it would be unreasonable to fear such a wilful

abuse of their power. The case is quite different with private speculators, citizens of any country to which they may choose to transport their gold. Comparatively unknown, and too often insensible to public censure, where the acquirement of great wealth is concerned, they may attain their end in defiance of the Bank; and yet through its instrumentality. It is true, the Directors have the power of averting ruin from their own Establishment; not, however, by causing it to recoil upon the speculators, but by throwing it upon the community; and thus the public are made to bear the loss, whilst the Bank bears the odium, and the speculators carry off the profit.

By the proposed plan the Bank would have the power of thwarting the speculators, and thus of protecting itself and the public at the same time; so that, if the plan gives any increase of power to the Bank, it is merely power to do good in addition to the power it already possesses of doing evil. The control of the Bank over the circulating medium would however be always subject to the influence of Merchants importing the precious metals, getting them coined at the Mint, and paying them away as money—an influence sufficient to make it the interest of the Bank to withdraw its notes, and to use gold whenever the precious metals should flow in too abundantly; or otherwise to accumulate the gold in their coffers until it were wanted: and when any extraordinary export of specie should take place, whether for warlike purposes or for corn, then to supply the chasm with Bank Notes until the natural course of Trade should bring the gold back again, so as at all times to keep the circulating medium as steady and uniform as possible.

The second Objection is founded upon a mistaken view of the interests of the Bank—a mistake sanctioned by the authority of Mr. Ricardo. The Bank Directors, under the

proposed plan, would undoubtedly have the *power* of depreciating the value of their own notes, but would they have the *inclination?* Certainly not. For to depreciate the value of Bank notes, would be to depreciate the value of the Bank Capital, inasmuch as the engagements due *to* the Bank exceed those due *from* it; so that it would be as rational to suspect the manufacturer of a design to diminish the value of his own productions, as to suspect the Bank Directors of a wish to diminish the value of Bank notes. Circumstances like those which occurred during the late war, might, contrary to the interests of the Bank, compel a diminution in the metallic value of the note, or in other words, a rise in the value of Gold relatively to Bank notes; but this, supposing it to be the case, would be infinitely better than a Bank restriction; and every one, at all conversant with the money question, knows that this must be the ALTERNATIVE *to the present system*, if a war were to break out *before* an alteration were effected. To permit a *possible* rise of the price of gold in Bank notes, would secure the country against an inconvenient efflux of the precious metals, and encourage, in lieu thereof, an exportation of the products of British Industry.

The LATE *Sir Robert Peel's Speech on presenting the petition of the Merchants, Bankers, and Traders of London to the House of Commons, May* 19*th,* 1819, *against his* SON'S "*Bill.*"

" Sir Robert Peel said, that he now stood in a situation which he had never experienced before, although he had sat in that House forty years. The petition which he was about to submit to the House was from a body of men entitled to the very first consideration—a body of men who, in the time of public distress and pecuniary want, were the very first to come forward and relieve the government. He should wish to call to the recollection of some members, who he believed now heard him, whether they did not remember a meeting of the merchants and bankers called in 1797? At that time the Bank Restriction Act was projected, and could not have passed if that very meeting of the merchants, manufacturers, &c. had not expressed themselves strongly in its favour. He begged the House would pay particular attention to the petition which he now held in his hand. It was one of no common character, but that of a great and important body, all of the first respectability, praying that those resolutions which were intended to be submitted to the House might not be carried into effect. He begged leave to state his opinion, that the petitioners were the best judges of such a measure. He would add also, that although they were intimately connected with

all that concerned the welfare of the country, the most experienced men, and the best qualified, from their connection with our manufactures and commerce, yet they had not been examined by the committee; he hoped, therefore, that before a measure so destructive of the commercial interests of the country was passed (and when he said *that*, hon. members would conclude every other interest to be combined with those, and to go along with them), the House would pause awhile, in order to collect that information which they so particularly wanted. In looking at the reports which had been published on the subject, he must say, that the witnesses were not men likely to give any information to government, not men acquainted with the state of the country; the last men who should have been questioned if government wanted to arrive at the merits of the case. In attending lately a meeting in London, he begged it might be understood that that was the only one he was ever interested in, except the meeting of 1797, and the latter one was considered of consequence enough to have saved the country. If, then, that was a meeting which deserved the attention of the House, he hoped the present one, which originated this petition, would be considered as equally entitled to it. He happened on that occasion, however, to be in company with some whom he could not deem the best friends of their country; but he should not do justice to two persons who attended there, Messrs. Wooller and Hunt, if he did not say that they behaved in a manner the least disorderly in the world, which he attributed to their new and singular alliance with His Majesty's ministers, for they supported the measure in question: they inveighed against any attempt at deferring the period of resuming cash payments. He must confess that the circumstance, so new, of

these men being supporters of the administration, constituted the outline of a very good caricature. To see the noble lord and his hon. friends on the one hand, and Messrs. Hunt and Wooller on the other, united in their attempt to pull down the mighty fabric erected by the immortal Pitt, was at once ludicrous and painful. He would implore the House to pause before any rash step was taken which might forward such an attempt. He really thought the resolutions were of a very extraordinary character. It was true that he should have to oppose a very near and dear relation. But while it was his own sentiment that he had a duty to perform, he respected those who did their's, and who considered them to be paramount. The gentlemen who opposed him at the meeting of which he had spoken, were rather indignant at his mentioning the name of Mr. Pitt. His own impression was certainly a strong one in his favour; he always thought him the first man in the country. All of us had some bias, and he should not quarrel with those who preferred some other name. He well remembered, when that near and dear relation was only a child, he observed to some friends who were standing near him, that the man who discharged his duty to his country in the manner in which Mr. Pitt had, did most to be admired and was most to be imitated: and he thought at that moment, if his own life and that of his dear relation should be spared, he would one day present him to his country to follow in the same path. It was very natural that such should be his wishes, although those who did their duty might at once be contented with their conduct. He was well satisfied that the head and heart of that relation were in their right place; and that though he had deviated a little from the path of propriety in this instance, he would soon be restored to it. He had entered

more largely into the subject than he had intended; any other observations he should reserve to a future opportunity, and conclude by moving that the petition be brought up."

[The two clauses which are given in the title page of this pamphlet contain the essence of the petition.]

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